

**CONSUMER PROTECTION and GOVERNMENT OPERATIONS
of the
SUFFOLK COUNTY LEGISLATURE**

Minutes

A regular meeting of the Consumer Protection and Government Operation Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on Thursday, **November 20, 2003.**

MEMBERS PRESENT:

Legislator Cameron Alden - Chairman
Legislator William Lindsay - Vice-Chair
Legislator Lynne Nowick
Legislator Angie Carpenter

ALSO PRESENT:

Paul Sabatino II - Counsel to the Legislature
Warren Greene - Aide to Legislator Alden
Fran Seims - Aide to Presiding Officer Postal
Charles Gardner - Director of Consumer Affairs
Alexandra Sullivan - Chief Deputy Clerk of the Legislature
Joe Muncey - Budget Review Office
Kevin Rooney - Oil Heat Institute
Bill Faulk - County Executive's Office
Lynda Geraghty - Earthlinks Satellite Technologies

MINUTES TAKEN BY:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 9:50 A.M.*)

CHAIRMAN ALDEN:

Good morning. Welcome to the Consumer Protection and Government Relations -- or Operations Committee. We'll start with the Pledge, and we'll have that led by Legislator Lindsay.

SALUTATION

CHAIRMAN ALDEN:

I'd like to ask just for one moment of silence, and I think we're going to do it in the Veterans and Seniors. There was -- everybody's aware that there was another Long Islander killed in Iraq just the

other day. So I'd ask for a moment of silence for those that have been killed and those that have been wounded.

MOMENT OF SILENCE

CHAIRMAN ALDEN:

Thank you.

LEG. CARPENTER:

Thank you.

CHAIRMAN ALDEN:

We have a couple of presentations today. We have Kevin Rooney here from the Oil Heat Institute. And his presentation looks like it's up and running. And for just for the record, Lynne Nowick, Legislator Lynne Nowick, is right around the corner, but there was an accident in front of here, and she will be here in a couple of minutes. So, Kevin, it's all your's.

MR. ROONEY:

Good morning, Mr. Chairman and Members of the Committee. For the record, my name is Kevin Rooney. I am the Chief Executive Officer of the Oil Heat Institute of Long Island. The institute is a not-for-profit trade association representing the interests of the retail industry and heating oil consumers throughout the bi-county region. I have a presentation this morning, and I thank the committee for inviting me to make the presentation on the winter fuel's outlook for the 2003-2004 heating season.

The topics generally that I'm going to cover in this relatively short presentation, it will be about 20 minutes all told, are crude oil, natural gas, distillate fuels, that is number two diesel fuel and kerosene, the relationship -- the intrarelationship between each of those fuels and the relationship between production, supplies, inventories and prices. I'm also going to look at retail prices in both the natural gas and heating oil industries as well as a BTU of comparison each of those fuels.

All fuels whether it's gasoline or the distillate products start out as crude oil, and this gives us an indication of crude oil stocks in the United States. The five year average is the large blue band running across the screen there. You will see that for most of 2003, we have operating below -- or at the lower end of that -- of that five

year average range. This actually reflects to some degree the fact that refiners primarily do not want to hold stocks or at least very substantial supplies of stocks at higher prices and run the inherent

risk or the liability of a drop in prices. Hypothetically, if you are refiner holding ten million barrels of oil at approximately -- ten million barrels is 420 million gallons -- at \$30 a barrel, and if the price drops to \$29 a barrel, you immediately take in about a \$10 million hit. So refiners are -- loathe to hold large inventories at high prices, and that's reflected in the crude oil stocks.

CHAIRMAN ALDEN:

Kevin, is that a bullish sign? Because if they thought prices were going to go up, wouldn't they load up on stock.

MR. ROONEY:

That is absolutely correct, Mr. Chairman. This is the crude price versus -- versus inventories. Basically the same information as the prior slide with the addition of -- of prices. And you can see very clearly that the red line prices -- the blue line is inventory. When you get a drop in inventory is when you have a rise in prices. And there's a there's a natural back and forth between prices and inventories. What's interesting is right over here, which is somewhat unusual in that you have both inventories and prices rising at the same -- at the same time. The inverse correlation that we see in prices and supplies has basically been turned around to the point where now inventories are building as prices are actually a little bit higher than they have been in a while. And that in turn reflects the fact that from a producer standpoint, higher prices leads to increased production, which obviously then increases inventories.

The Energy Information Administration, which is where a lot of this information came from, the WTI, that is the West Texas Intermediate crude oil price -- there are two benchmark prices in the petroleum or energy industry; one is Saudi light sweet crude, which is primarily refined as gasoline, the other is West Texas Intermediate. EIA is projecting here -- you will see out here that -- that crude oil prices will remain for about the first quarter of 2004 in the \$30 a barrel range, dropping down to twenty -- 28, \$29 a barrel after the end of the second quarter. Thirty dollar a barrel oil, West Texas Intermediate is comparable to the OPEC market basket price range in the 24 to \$28 a barrel range. OPEC did announce a cutback of about 900,000 barrels, a little short of a million, that they expected to go into effect in the fourth quarter. That actually has not happened. There is tremendous infighting both between the OPEC members themselves as well as non OPEC members for both market share and price stability.

CHAIRMAN ALDEN:

Kevin, if Iraq comes back online, I know they tried to and they had some problems, the oil line got blown up and things like that, but if Iraq comes back online, have you heard the United States Government, are they proposing to bring it back online fully or?

MR. ROONEY:

Prior to the onset of the Iraq War, Iraq was pumping about 4.4 to 4.5 million barrels a day. About a million two of that was for domestic

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consumption, so the remainder was exported. Currently Iraq, according to the last data, end of October, is now producing about 2.1 million barrels a day. They're still using about a million to a million-one domestically. So about there's about a million barrels being exported. They are only at about 60% of their actual capacity. However, the projection from EIA and DOE is that as Iraqi crude -- as the crude oil infrastructure is repaired, as it is upgraded and as the security around those facilities is improved, that Iraqi production will increase and that they, by the end of 2004, should be back up to 4.5, 4.6 million barrels a day range. That will actually add about two million barrels a day to a world market that consumes around 72 million barrels a day. That's pretty substantial. And that's going to have to -- that will probably see a drop off in Saudi exports, in Russian exports and some of the other non OPEC nations.

A BTU price comparison, a British Thermal Unit is the standard unit of measurement for all heating fuels. Without getting too terribly complex, a British Thermal Unit is a measurement of the heat output of any fuel; coal, oil, wood, gas, doesn't matter. From a residential standpoint, for example, a gallon of heating oil is 140,000 BTUs. A therm of gas is 100,000 BTUs. And therefore, to arrive at equivalency, one would need to use 1.4 therms of gas to achieve the same heat output as one gallon of oil.

This is a spot market price comparison of number two residual oil, propane and natural gas. You will see the oil -- number two oil is in the red line here. Propane is sort of the pink line that overlays it with a little jump up there. You can see the very dramatic increase in natural gas prices that occurred in the first quarter of 2003 going as high as almost 18 -- a little over \$18 per million BTU on the spot market. Natural gas was in very, very tight supply last year -- early part of this year, I'm sorry, last heating season. And that's very clearly reflected in the spot market price.

This shows the shorter period, April through October of this year, natural gas prices after the first quarter dropped back down, a little bump up here in the middle of June and now back down here. Heating oil prices basically leveled out after the heating season. Propane, which is used primarily used Upstate and in a lot of more rural communities, although there's a substantial propane business on Eastern End of Long Island, still remains very, very high. On a BTU comparison, this is the wholesale price essentially, it's high. It's very high at a retail level, for example, one gallon of propane has

the heat equivalent of 92,000 BTUs. So it's actually less than a therm of gas and about -- you would need to use about gallon and a half of propane to achieve the same amount of heat as from one gallon of oil. So if propane hypothetically is selling for a \$1.50 a gallon, that would be the equivalent of oil at about \$2.25 a gallon. So propane prices are very high. And it reflects the fact that they're a marginal fuel in most areas.

Okay. Distillate fuels. This is a term of art in the industry. There are two types of fuels; distillates and nondistillates. Nondistillates, of course, are gasoline. Distillate fuels are heating oil number two, heating oil number four, which is used in large apartment buildings primarily in New York City, some large commercial

applications, number 6, which is a heavy residual fuel used primarily in electric generating stations and power plants, then, of course, the other refined distillate products such as diesel and kerosene. Diesel and heating oil are virtually the same fuel in term of the refining process. The cetane level in diesel is higher obviously because it's used in an internal combustion engine. And kerosene, which can be used as heating fuel and can be used as a blending fuel for heating oil during the winter heating system is mostly referred to as jet kero or Av-Gas, aviation gas.

These show distillate stocks for the November '02 through November '03. And again, you are looking at five year average range is the blue band. And on a monthly basis you can see where -- where distillate stocks have been. And these are the kind of stocks that we use in my industry and eventually end up going to consumers. They have been on the low end of the average range through most of the -- of the spring and are coming back. Part of that in large part right down in here where we were -- right below the average range is -- results from the fact that oil usage, particularly number two and number four oil usage was particularly high this summer as a result of dual fuel consumers.

Those are large commercial, industrial governmental, institutional accounts that have the ability to use either oil or gas. And because of high natural gas prices coming out of the winter heating season, two oil and four oil prices were considerably lower, a lot of those dual fuel customers switched over obviously for economic reasons from gas to oil. So we saw a pretty substantial oil usage over the spring and summer months, and that brought down stocks down rather -- rather precipitously over the summer. Going into the season, however, we're looking at a pretty sizeable stock build, and that does bode very well for the -- for the winter.

Again, narrowing this down a little bit to the Mid Atlantic, that's the area that we are most concerned about, yellow is 2001, the blue line in 2002-03 and the green is 2004 -- '03-4. The five year average is highlighted in red. Two thousand and 2001, significantly lower than normal, that turned out to be a very warm winter, if you recall. Two thousand two-03, the blue line began higher than the average and then dropped off significantly due to colder than normal weather throughout most of the winter and continuing well into the spring. The stock build right here for '03-'04 is actually very good, it's very strong stock build. We're pretty close to the average right now. And the projection is for a quote, put it in quotes, normal winter.

Last year was around 12% colder than normal. So if we're looking at normal, we're looking at somewhere between ten and 12% warmer than last year. And that actually -- looking at those stock build numbers, that should be more than adequate to handle this winter. Stock builds occur from August all the way through right about now, the third week of November, end of November. From that point on, the stock build end and withdrawals from stocks begin. And you can see here, right about here, is the high point of your stock build for last year, and it begins then pulling off and withdrawing from -- from stocks.

The distillate stock gain -- in looking at this very precisely, this

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is the stock gain. The stock gain is the actual blue bars here. May is in red, October is in green. And actually for 2003, we are looking at the second largest stock build or stock gain ever recorded by the New York State Energy Office. Approximately 16.6 million barrel build over that -- that period from May to October. Again, that's -- that's a very, very positive stock build and -- and makes people like me feel very comfortable that we will have more than enough stocks to meet demand this winter heating season.

Stretching the picture out from a local to an international base of world distillate stocks and bearing in mind that we don't operate in a vacuum, we're not an -- we are an island, but from an energy standpoint, we're certainly not an island. And what happens in the rest of the world certainly affects us. The OECD is the Organization for Economic Cooperation and Development. Those are basically the Western Industrialized Nations. And you can see here that stocks dropper right here January through March of 2003 due to the cold winter over here and a cold winter throughout most of the Western Hemisphere. The weather that we had over here, they had the same weather in -- sorry, in Europe.

Also, the drop in stocks here is reflective of the fact that Russia exported less product last year then they had done in the past as a

result of continued economic domestic economic expansion in the -- in Russia and in the former states of the Soviet Union. I should also note that Russia is the world second largest producer and exporter of crude oil second only to Saudi Arabia. So what happens with Russia right in here clearly has effect on the European market and has effect on world markets in terms of product availability.

Switching away from heating oil for a minute, Mid Atlantic diesel inventories, this is primarily diesels stocks in the New York, New Jersey, Pennsylvania area. It's actually very interesting, because if you look at the stock build, okay, 2003-4 is up here in green, and it's well above the five year average in red. This right here is a very, very positive sign that the economy has -- has, in fact, bottomed out, is turning around and is beginning to expand. Because producers and refiners of product look three to six months ahead of time to determine if they can what the demand is going to be. What this tells us, what it tells the rest the industry, is that they are gearing up for a lot of goods and products being shipped by transport, over the road transporters, in the fourth quarter of this year and into the early part of the next year. They wouldn't be planning to have that much diesel inventories around unless they thought that the economy was turning around, that consumers would be going into the market, buying more goods, buying more product. So from the retail standpoint, this bodes very, very well for a strong retail Christmas.

Heating oil retail prices. These are New York State prices, and I know that my good friend Charlie Gardner here keeps track of prices in Suffolk County, as we do through the New York State Energy Office. If you if you look at these prices, the one thing that jumps out is right here, 1999 to 2000. Charlie and I certainly remember what that winter was like. The winter overall was warmer than normal, but starting right about here in the second week of January, we went from temperatures up from September through the beginning of January were

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running about 15% warmer than normal. From the second week of January through the end of February, temperatures on average were almost 40% colder than normal. So we went from 15% warmer to 40% colder. The demand for heating oil absolutely skyrocketed virtually overnight, and as a reflection of the inventories that were drawn down very rapidly in that period of time, inventories got very tight. That is clearly reflected in the price, and the price jumped up very, very rapidly in that -- in that six week period. I think if I'm not correct, that is the highest price ever recorded in Suffolk County, Charlie.

DIRECTOR GARDNER:
Yes. Yes.

MR. ROONEY:

Highest price that I've ever seen in the 22 odd years that I've been doing this. When we look at 2003-4 right down in here, we started out at a higher level than -- than we had in the past, but it basically is tracking in the \$1.45-\$1.48 range right now through -- through most of November. This is the four week average of distillate fuel supplied. Again, this is a three year average is the -- is the red. Two thousand three-four, that's last winter. You can see we had some cold weather in December, dropped down a little bit and then really got cold throughout January, February and actually stayed pretty cold all the way through the end -- through the end of April. The green line over here is 2003-4, and it kind of reflects -- and I'll get to the weather in the little while -- it kind of reflects the up and down nature of the weather that we've experienced so far this year.

There's one point actually I just wanted to mention here. Right over here, this is abnormal demand for -- for heating oil in June and July and into the beginning of August. This reflects that consumption by the dual fuel users who can use oil or gas that I was talking about just earlier. That is shown right there. That is abnormally -- abnormally high consumption for June and July for distillate fuel, and that's primarily heating oil.

LEG. NOWICK:

Not to interrupt you, Kevin, tell me again why in the middle of the summer there's that demand? What do they use all that for?

MR. ROONEY:

Normally speaking, there is not that kind of demand, but given the fact that natural gas was coming off some very, very high prices in the first quarter of the year, still in April and May, June and July, we were at looking at natural gas prices in the six to \$7 a million BTU range. So those large commercial and industrial customers that have the ability to use either fuel oil or natural gas, for economic reasons switched over from gas and were using a lot of oil during that -- that time period, because oil prices were lower.

To give you some sense of what that means, in a two month period, June -- sorry, three month period, June, July and August of this year, North Shore University Hospital, we're all familiar with it right there on Lakeville Road, spent about \$100,000 less this year than they did in previous years by virtue of being able to buy less expensive heating oil rather than more expensive natural gas. So we don't

normally see this kind of demand in the summer time. That's usually a low point for gas prices as it is for oil prices. Gas prices remained high, oil prices drop down after the season. And as a result, any

facility manager, whether they're running an institution or a governmental agency or a building, Suffolk County Jail, whatever, they're all dual fuel customers. They made an economic decision to switch to use heating oil, and in so doing, you know, saved a lot of money. But also it showed up in higher than -- considerably higher than normal demand for heating oil during those summer months.

LEG. NOWICK:

When I think of heating oil, I think in the summer of turning on the thermostat and bringing heat.

CHAIRMAN ALDEN:

These people are -- they have hot water for cleaning. They have -- you know, like, they're high demand all though the year, not just for heat. They don't use it for heat, you know, like, for other things.

MR. ROONEY:

These industrial applications, in many cases, or institutions such as large hospitals that consume vast, vast quantities of energy simply to produce hot water. It's not for heat, per say.

MR. SCHROEDER:

Also used for air conditioning.

LEG. NOWICK:

That's what I was going to ask. And I didn't want to be foolish in thinking that you use oil for air conditioners.

MR. ROONEY:

No. No. It is not heating use of heating oil.

LEG. NOWICK:

Okay. I just wanted to learn a little bit.

MR. ROONEY:

That's okay. Thank you. What we -- what we don't produce here, refine here, in terms of distillate products, we import. And imports are a major factor in supplying the total market. The four year average is in red here 2000-2001 that was a very high level of imports to meet that demand. And again, a fair amount of imports in 2002-3. Two thousand and 2001 heating season was actually a warmer than normal season, yet we had a higher level of imports. To a large extent that reflect the arbitrage value of product on an international market. Heating oil and all distillate products are what are known as fungible, f-u-n-g-i-b-l-e, fungible. That is they can be readily traded anywhere at any time by any party anywhere in the world. So the arbitrage value, to say the Roderdam spot market of distillate product, if the price in the United States is higher than the price on the Roderdam spot market, then it makes economic sense for them to ship their distillate product, their refined product, over to the

higher priced US market. And that is what was reflected here in 2000-2001. A warmer, significantly warmer, winter in Europe led to a collapse in prices in Europe. We still -- we had lower prices, but

they were higher than they were over there, and it made economic sense for the imports to come over here.

In terms of -- in terms of distillate demand, this is total distillate of heating oil, kerosene and heating oil, residential is in green, commercial is in blue, transport that is diesel product is in black. This is the total demand, and you can see the distillate demand has actually been growing with this one exception, 1998, which was an abnormally -- I mean, when I say abnormally, I mean really, really warm winter, but it has been growing pretty steadily. And interestingly, residential consumption, which kind of, you know, has stayed about the same for the last decade is showing an increase here over the last three or four years. That reflects to some degree increases in the housing market and also increases in the size of the homes that are being built. Larger homes consume more fuel. Talk to anyone at LIPA, and they'll tell you that that's a major problem in supplying electricity. But in items of our industry, it shows some actually pretty steady growth.

The one area of concern that we have is in the area of storage capacity. Storage capacity in New York State is about 25% lower than it was a decade ago, now on the order of six hundred million gallons as opposed to eight hundred million for -- for heating oil. To a large extent, terminals, the economic of owning and operating a fuel oil terminal have changed over the last decade. It's a lot tougher to make money in the terminal business. The cost of regulations, environmental compliance are much higher. And so, you know, a lot of the marginal terminals that operated for years can't make it economically and thus have closed down. It is not yet a problem on Long Island, prospectively it could well be. And, in fact, the New York State Public Service Commission recently ordered an oil infrastructure study for the downstate region primarily because of the fact that dual fuel customers, those gas interruptible customers, who are forced off the gas system during the winter and then have to turn to heating oil, the availability of heating oil storage becomes a major factor in whether or not gas companies can continue to interrupt their -- their customers.

In conclusions on distillates, have we reached an inventory maximum? Yeah, I think we have. We're pretty close to the average level. We're looking at maybe another week or so of stock gains or inventory build before we -- we start withdrawals from inventories. Diesel, as I mentioned before, is well above average for now. That's a very

good, very positive indication of strong diesel demand for the fourth quarter. And again, when I mentioned before, the impact on natural gas prices and gas interruptions on distillate demand, when -- when dual fuel customers who purchase gas from KeySpan on an interruptible gas tariff are ordered off the system where their gas is curtailed, they use heating oil.

How much heating oil they use is a factor of the weather primarily. And lest you think that this happens only occasionally, in January and February and into the second week in March, that's a ten week period, KeySpan Long Island curtailed gas to interruptible customers for 28 days. So almost four weeks of a ten week period those customers were off the gas system and were using oil. So that's a very substantial

demand.

There are about 600 interruptible gas customers on Long Island; schools, hospitals, nursing homes, government buildings. When they are all off gas, they consume about an additional million barrels a day. So we're look at about a 20% jump in demand overall for heating oil during -- during a gas curtailment. Talking of natural gas, what we see here is natural gas prices. Wellhead, the blue -- I'm sorry, the red line here, this is the production fields. Citygate is the New York City gate price. And blue, of course, is residential. And over the course of -- and this is January to January, you can see the rise and fall in prices, you know, at all levels and up to here and here leads to up there, and the same applies. When you get into '01, '02 and '03 is when you've seen the rather dramatic rise in both the Wellhead price and the Citygate price reflected in much higher retail prices, residential prices in the natural gas market.

You are looking at gas here that topped out at other \$12 a million cubic feet, which is -- which is very, very substantial in January and into February of earlier this year. The weekly spot natural gas prices shows this rather dramatically. Henry {Hub} is the -- is in Louisiana, and it's a benchmark price for natural gas at the production level. The red bars are the New York Citygate. And again, if you look here, this is January, February, March and April of '03, the Henry {Hub} price was up. Demand for natural gas was very, very high, and so the Henry {Hub} price went up, and therefore, the New York Citygate price rose very, very dramatically. Here you are looking at prices that almost reached \$13 a million BTUs at both the Henry {Hub} and the Citygate price.

Last year was not a good year for the natural gas industry in terms of either supplies or prices. And it's very clearly reflected in these -- in these numbers. Total gas storage is also an indicator of what

might -- what might happen. It's now at pretty much traditional levels. The five year average is here, this is 2002-03. Natural gas supplies in storage are actually very good, very close to the five year average. And again, they build through November and then begin withdrawals in December. Looking at their weekly stock build, the green bars are the five year trend. The red ones are 2003. And you can see that really starting right here in August and running all the way through the middle of October, their storage build has been substantially higher than traditional levels. Again, that reflects the fact that there is more gas available -- there was more gas available this summer because of the higher priced gas in the market was not being consumed in the market. Those dual fuel customers were using oil, more gas was available, and therefore, more gas was able to go into -- into storage.

The only problem here, and I'll mention it a little later, this gas that is going into storage is gas that basically is in the five to \$6 a million BTU range, and that does not bode particularly well for -- for retail prices this year. They're injecting into storage some pretty Hi priced gas, and as that is withdrawn that's going to show up in residential bills. This is the EIA projection. And there was -- when this was presented down in Washington about a month or so ago, there was a lot of scepticism simple regarding EIA Administrator Guy

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{Carusso's} presentation. What he is actually showing here is that starting in the second quarter, natural gas prices will actually go down. That is not reflected in any of the data that -- that EIA has produced, and it certainly doesn't reflect the fact that natural gas injected into storage in the five, six, \$7 range is going to end up in -- residential in bills.

It also contradicts the fact that Federal Reserve Chairman Alan Greenspan testified twice before Congress and warned about the negative impact on the US economy of continuing high gas prices, which would then be reflected throughout the economy not simply in retail residential energy prices. So the scepticism is that EIA Administrator {Carusso} was wearing some rose colored glasses at the behest of the administration and not wishing to project a more dire forecast for gas prices into the second quarter so that it would not have a negative affect on the economic expansion that we've seen over the last three to six months. So we will take this projection with as many grains of salt as -- as you wish.

In conclusion, natural gas had a very strong summer stock build, which is good, but out of price. The high injection price of five to \$6 a million BTU will show up in higher residential bills this heating season. The industrial demand destruction, what that means is that

when you have industrial demand -- natural gas industrial demand and gas prices are significantly higher than oil prices, then you have these large dual fuel customers switching over, using heating oil and essentially -- essentially destroying part of the -- part of the commercial industrial base. Cold, warm or normal temperatures will obviously have an impact on the amount of gas that is available and will also have an impact on interruptible gas customers.

And last but not least, what is the weather going to do? When we talk about normal, normal is a 40 year average of degree days as recorded at Brookhaven National Lab in Upton. There are also degree days recorded in New York City in Central Park and in Albany. And having been there for years, the cold place in Albany Capitol Steps facing Washington Avenue. That's where they should actually record the temperature. But last year was 12% colder than normal.

EIA, DOE, The National Oceanographic and Atmospheric Administration, which is essentially the US Weather Service is predicting a normal winter. What that means is, as I mentioned before, should be 12% warmer than it was last year. So far this year you can see in red, the temperatures have kind of been up and down. We're actually a little warmer than normal right now. Although when it's warmer than normal, but it's windy and wet and rainy, it's damp and so it doesn't feel as warm as it actually -- actually is. This yellow block is normal. And you can just see January, February, March and here, as we get into March and even down here into April, we had some very cold weather. So it was -- it was a very strange winter last year that just -- we thought that it was pretty much over right here, and then came back a couple of weeks in April where very cold and up above the -- up above the average.

The US Weather Service's prediction of normal, however, has a statistical variability factor, love that term, of around 65%, which

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means in essence, there's a 65% chance that it could be colder than normal and a 65% chance that it could be -- I'm sorry, 35% chance that it could be warmer than normal. So we're basically looking at normal to the possibility of colder than normal for the remainder of this heating season.

In summary, what -- from a consumer standpoint, this year EIA is predicting that the average heating oil customer, because they will use less fuel and that prices are somewhat less or projected to be less over the course of the heating season, will actually spend 5% less this coming heating season than they spent last heating season. EIA is also predicting that the average natural gas homeowner will use less fuel, but because of fact that the price of gas is higher than it was last year, will spend about 9% more this heating season than last

heating season. They're both pretty close. And of course, there's a degree of variance that goes along with both of them. That's all I have. I certainly welcome any questions that you might have.

CHAIRMAN ALDEN:

Kevin, first, thank you very much for that presentation. And one thing I would ask, I know you've done it in the past, but if you could keep us updated on that study that's being done on capacity and storage and things like that, you know, I would really appreciate it and I know the other members of the committee would.

MR. ROONEY:

As I leave here, I'm catching a ten after eleven train into New York City to -- to go to a meeting at the PCE on just that subject.

CHAIRMAN ALDEN:

Great. Legislator Nowick.

LEG. NOWICK:

Just one question. By the way, thank you, the presentation was excellent. I know everything there is to know about why I should not turn on that thermostat. But I would like to know if you can, just for consumers, tell us what we can expect or what we should look to pay per gallon for home heating fuel. Can you tell us what we can expect this year? I know we've gone from a dollar six to a dollar eighty, and it's all over the place. Is it -- is this year -- do you think there's a stabilized price we can expect to pay.

MR. ROONEY:

I would love to answer that question, Legislator Nowick. Unfortunately, as the CEO of the Industry Trade Association, there is something called the Federal Sherman Anti Trust Act, and that -- that and other federal and state anti trust laws preclude me from discussing specific prices that the industry should or may charge. I can only give you information published or recorded by governmental agencies or other independent sources. I'm absolutely prohibited by anti trust laws from answering that question in the way you posed it. However --

CHAIRMAN ALDEN:

Put it this way, given the data that you just presented us as far as the up-tik in the storage and things like that, what would you

predict --

MR. ROONEY:

If this winter turns out the way all of the federal and state

government agencies are projecting, and that is if we do, in fact, have a normal winter, looking at inventories and supplies, which are in very strong position, if demand is normal, if there are no weather abnormalities in the picture, then what you will have is supply and demand essentially in balance. And if you have supply and demand in balance, then you are going to have stable prices. What those prices are -- there are lots and lots and lots of heating oil companies out there willing to talk to customers, that are willing to cap prices, allow for fixed prices, budget terms, all the things they do to induce customers to come and stay with their companies.

But the bottom line is I think that we and just about every government agency out there is looking for stability. And unless we have some strange abnormalities in either supply or demand, then we are looking at pretty stable prices throughout the season. What you as a consumer pay is up to you to negotiate and {hondle} with your suppliers to get the best deal that you can. But I would note that if you are one of the of 600 odd thousands homeowners on Long Island who use heating oil, and about 70% of the market -- residential market does use heating oil, the rest use that other fuel, that you do have the option of calling a different supplier and basically looking at the market and playing one company against another, so to speak.

LEG. NOWICK:

And I think that is a good idea for the consumer. And I think what you said about stabilizing prices --

MR. ROONEY:

Consumers should always shop around.

LEG. NOWICK:

-- is a -- that is importance to the consumer because it's when the prices all of a sudden spike up and the consumer receives their bill and gasps.

MR. ROONEY:

Interestingly, Legislator Nowick, about half of the consumers on Long Island use some kind of fixed price or capped price program, which essentially insulates them from the ups and downs of the market. I can remember going to -- to a meeting at a synagogue in Syosset back in that -- that horrendously cold winter of 2000 and talking to a group of about 80 or 90 senior citizens. And about 80% of them had a capped price program. They were paying a \$1.40 gallon when the retail street price was up around \$2 a gallon. So they by having a capped price from their company, they had insulated themselves, essentially taken out an insurance contract against the -- the variations in the market. So I would recommend that.

LEG. NOWICK:

I think it's important that our consumers, or constituents, some how

know that they should be shopping around and they should be asking questions. I think that would be important, and that might be

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something to say in out newsletters.

CHAIRMAN ALDEN:

Good. Good. Thanks a lot, Kevin. Any other question?

LEG. CARPENTER:

No.

MR. ROONEY:

Thank you very much for the opportunity.

CHAIRMAN ALDEN:

Thank you very much. We have one more presentation. Charlie Gardner is going to show us what's going on with a --

DIRECTOR GARDNER:

Thank you, Mr. Chairman. This presentation is only a couple of minutes. I requested the time for it because it's two tapes of recent news articles, and the subject of the news pieces is a business that has been a subject of much discussion before this committee over the past few years and has been the source and continues to this day to be the source of many consumer complaints and a large degree of frustration both on the part of the County and on the part of the office. There is also a copy of a news article from the Times that was distributed concerning Active Appliance, that's who we are talking about. But the news pieces were so good that they -- and they did such a good job of really recapping what we've been talking about for so many years. In addition to the fact that there are three consumers who are interviewed by the reporters, and I just thought it would be a good piece to hear right from the horse's mouth so to speak, from the consumers, as well as being excellent an recap of this whole saga concerning Active Appliances. It's only a couple of minutes.

CHAIRMAN ALDEN:

Great. And I want to thank you for, you know, staying with this, because I know there's been ups and downs in the lawsuit and, you know, actually going after these people. Anybody in the audience really that wants to watch this is welcome to come take seats up here if you can't see the, you know, the screen from back there. With that, go ahead, Charlie.

DIRECTOR GARDNER:

Just a very -- this business was initially licensed in 1980. The complaints started coming in 1983. So we are talking about a 20 year

history. And as I said, the complaints continue to come in today. The good news is that, and what these most recent articles are about, is the fact that for the second time one of the owners has been sent to jail. The appeals process was finally -- finally came to an end, and the sentencing was a week ago Monday, and she is now in Suffolk County Jail serving a six month term.

CHAIRMAN ALDEN:
Great.

VIDEO PRESENTATION

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DIRECTOR GARDNER:

They are number one, two and three, by the way, on the list. So that's where we are right now. A couple of key points is number one we continue to work very closely with the District Attorney's Office, and they are -- this is an ongoing case, even though Ms. Cass is currently in Suffolk County Jail. There are, we hope, more indictments to come. I don't know if you picked it up, the County has seized \$102,000 in assets, which we are holding. And between our office and the District Attorney's Office, we are working on a restitution payment to the consumers. We have an additional 36 complaints this year. We are working on some kind a settlement with them now concerning those in lieu of further prosecution. We haven't stopped. They haven't stopped, and neither have we.

Mr. {Wund}, the fellow where they did the unlicensed plumbing work, obviously a horrible job, it points that even though we have had more than 800 complaints, if you look at all different kind of surveys about complaints, you know, supposedly only less than 10% of the people really complain. So if you figure that out, if that's true and holds true, think of the thousands of people that have been ripped off by this business over the years. Mr. {Wund} is a perfect example. That work was done last February. He did not complain to us, he only went to Arnold Diaz just a little while ago. We now have his complaint on file, but he only filled with us two weeks ago. So -- and look at what a horrible job that was.

So there are still -- as much as we advertise -- as I said, on our website, the top three businesses to stay away from are those three right there. There has been every single news channel in the metropolitan area has done articles on them, every major -- Newsday, New York Times, Suffolk Life, the local papers have done articles on them. The advertise so tremendously and so extensively, combined with -- the other problem is that it's not against the law to sell appliances. They also do that out of that shop, they sell used appliances. There's no license required to sell that. So it's kind

of -- you know, they kind of get mixed in there, you know. But we're just -- as much of a source of frustration as this company has been, he has served time, she is now serving even longer time. And we're still going after them.

CHAIRMAN ALDEN:

Well, I think -- the rest of the committee indicate to me that they want me to get in touch with the DA and also our general Counsel here and to try to craft something that's going to put a little more teeth into our ability. And you mentioned we don't have a padlock law, so maybe that's something that we want to pursue. I want to thank you for your efforts. I want to thank the news media, including Cablevision for their efforts in educating the consumer. And hopefully everybody in Suffolk County watched, you know, one of these broadcasts or read a paper that mentioned these people, because this is horrible, and it's an ongoing rip-off really.

DIRECTOR GARDNER:

We have complaints as recently as -- within the past ten to 12 days, so.

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CHAIRMAN ALDEN:

Wow. Legislator Nowick.

LEG. NOWICK:

It's interesting how they're still in business, and now we have a give her three squares a day at the jail and pay for that. Isn't that incredible?

CHAIRMAN ALDEN:

You know what, though? If they keep her in jail forever I'd pay for it myself. So leave her in there. The havoc that's she's wreaking on the public, you know, at least for a couple of days or a month or six months or whatever.

LEG. NOWICK:

It slows her down. Charlie, I just wanted to ask you how many businesses now do you have listed on -- I know it was when we originally did the legislation it was the ten worst, but I'm sure you have more than that now. What do you have on that website?

DIRECTOR GARDNER:

Currently on the website I believe they are 16 or 17 right now. And, in fact, we're having a meeting today to kind of update it.

LEG. NOWICK:

That would be great.

DIRECTOR GARDNER:

One of the -- not Lori Cass, one of them we know is out of business, and he is in jail. So we don't have worry about consumers doing business with him, it was a one man operation. The difference here is while Ms. Cass is currently in jail, we believe that they are still operating. So we're going to keep -- they are going to remain on the list. But obviously if someone passes away, moves out of state or whatever and we know that, then they come off the list and they are replaced by -- unfortunately, we have plenty of replacements to go on there.

LEG. NOWICK:

What I would like to see, and I know it's probably not a big deal, to put as many on that list as possible, as many. It doesn't take a lot of --

DIRECTOR GARDNER:

Yes. We started -- even though people talk about the top ten, it's never really been the top ten, it's always been more. Whoever we -- the main parameter, just so the committee knows for that, is whoever we -- who does not have a license, we know they are working without a license, and they are continuing to work, that's really what gets you on that list, because we want people to be aware that people might be out soliciting and/or advertizing and they do have not a license. Obviously if somebody as bad as their record was, as I said, if they passed away or moved out or if they're -- you know, if there's really no necessity to have them on the list anymore in place of somebody who is actively working without a license.

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CHAIRMAN ALDEN:

Legislator Carpenter.

LEG. CARPENTER:

No, thank you very much.

DIRECTOR GARDNER:

We had a very interesting call from the Sheriff concerning that case. There's apparently some money that gets put in for prisoners to use for, you know, daily whatever things, and that's part of our assets now too. So it's being collected and going into the funds. We hope we can get even more money back for the -- believe me, the 102,000 that we seize and the over 45,000 that they're talking about doesn't -- doesn't come close to covering the 800 complaints that we have in the office.

CHAIRMAN ALDEN:

I know that prisoners are sometimes assigned little jobs in jail. I hope she's not fixing our appliances right now or anything like that. All right. We just have one card, Lynda Geraghty. If you want to step up. You have the choice of either sitting down using the microphone or using the microphone that's up at the podium there.

MS. GERAGHTY:

My name is Lynda Geraghty, and I'm here from Earthlinks Satellite. And I was invited by Warren Greene because we recently had -- we are a satellite company, we do repair sales and maintenance of satellite systems. And we've licensed for several years now. And when we got the renewal this year, it doubled. We had been paying \$200, it doubled to \$400 and our apprentices have doubled -- have more than tripled from 30 to \$100. So I made a call to the Department of Consumer Affairs to find out why -- how -- why did we get such a big hike. And they told us that there's nothing -- they have nothing to do with it, that it was a law passed by the Legislators last February, I believe, and that they needed the extra funding for something and that I should contact the Legislator, which brought me to your office. And I was told that you personally did not fight -- did not vote for the increase, but there was nothing that could be done, and I should come here to address the issues because there are -- many other related issues that are related to this, but in my opinion, atrocities that are going on in this industry.

And we have been many, many times contacting the Department of Consumer Affairs to let them know what's going on, and it seems like they don't have anything in place to police the laws and regulations that they have. And we've brought so many, I'm going to call them atrocities in this industry that have found to their attention, and they're saying, but there's nothing that we can do about it without a consumers complaint. Consumers -- he said before, 10% of consumers -- I'm going to -- I believe it's less than that, will actually come to the Department of Consumer Affairs and complain to any governmental agency, because the consumers are telling us that they are afraid of the repercussions.

These people come into their homes, they do work, they do repairs, they do installations, they do very shoddy work, they, of course, will

not return any money, they are out of business when they need to be found, and they were never legally in business to begin with, they have no insurance, they have no -- it's just this industry is running so rampant with these people that even the big name stores, they're not licensed to do this work. And they're sending people out there doing way below par installations. We go out and do repairs all the time, and we -- we ask the consumer, who did this work for you, did

they leave you a receipt, no, do you know who was here who did this, well, we called an 800 number, or, well, we went to Circuit City or we went to Best Buy and whoever they sent, they sent.

The SBCA has recently, a couple of years ago, put in place a licensing system that you have to take a test and then you become licensed to do satellite installations. The test is good. It's definitely a step in the right direction, but from what we're seeing out -- out in the market place, the improvement of the work that's being done is ever so slight, because they also don't have any means of -- I don't know if you can call it checks and balances, but any means of policing the fact that the people who are going out there and actually doing the work in the homes of the consumers are doing the proper jobs.

CHAIRMAN ALDEN:

I want to ask -- well, actually, I want to thank you for bringing it to our attention and ask you just do you have time to stay? Because I'm going to ask you to get together with my Legislative Aide, Warren Greene, and get all the specifics down. You know, we'll stay as long as it takes to get the specifics down, then we can go to Mr. Gardner and we can find out, you know, like, what part of that licensing would fall under Suffolk County's jurisdiction. Then I would also ask my Legislative Aide to take your information and go and find Paul Sabatino and see what part actually falls into Suffolk's jurisdiction, because I think you're hitting, you know, like, a lot of valid points, and we really do want to look at it further, the committee. I have to apologize to the Committee Chairman Lindsay who we're eating into about a half an hour of his committee time right now. So just -- because time is precious now, I would just ask you to meet with my Legislative Aide, and we'll get all the specifics, and we'll take it from there. Thank you very much.

MS. GERAGHTY:

Thank you.

CHAIRMAN ALDEN:

We only have two live resolutions on.

TABLED RESOLUTIONS

(P) 1242-03. Adopting Local Law No. -2003, a Local Law to toughen and graduate fines for item pricing violations within Suffolk County.

(ALDEN)

(P) 1723-2003. Adopting Local Law No, -2003, a Local Law to establish item pricing inspection waiver schedule within Suffolk County based on price accuracy. (ALDEN)

CHAIRMAN ALDEN:

I'm going to make a motion to table both of those, seconded by
Legislator Carpenter. All those in favor? Opposed? Those two stand
TABLED. (VOTE: 4-0-0-0)

We don't have anything else. Anybody else that would like to address
the committee? Seeing no one, we standard adjourned. Thank you very
much.

(*THE MEETING WAS ADJOURNED AT 11:00 A.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY